

# Source of Income Ad Hoc Advisory Committee Recommendations

## Great Neighborhoods Committee

### Committee Pre-Read Materials

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## Briefing Objectives

- ◀ Ad Hoc Committee Background
  - Committee Charge & Composition
  - Meetings / Work Plan / Timeline
- ◀ The Work of the Ad Hoc Committee
- ◀ Understanding the Issue
- ◀ Ad Hoc Committee Recommendations
- ◀ Implementation Strategy Recommendations

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## Ad Hoc Committee Charge

◀ On February 22, 2021, City Council approved the creation of an Ad Hoc Advisory Group to:

**Develop recommendations for program enhancements and process improvements that will increase the acceptance of all forms of rental subsidies, including Housing Choice Vouchers (HCVs), the largest source of rental subsidies in our community.**

## Ad Hoc Committee Composition

Private Sector	<ul style="list-style-type: none"><li>• Mark Ethridge, Ascent Real Estate Capital (Co-Chair)</li><li>• Kim Graham, Greater Charlotte Apartment Association (Co-Chair)</li><li>• Clay Grubb, Grubb Properties</li><li>• Beverly McCluney, S.L. Nusbaum Realty Co.</li><li>• Rev. Dr. Stephanie Moore Hand, United Methodist Church</li><li>• Philip Tegeler, Poverty and Race Research Action Council</li><li>• Fred Warren, Fred Warren Realty</li></ul>
INLIVIAN	<ul style="list-style-type: none"><li>• Fulton Meachem, President and Chief Executive Officer</li><li>• Kimberly Cole, Executive Vice President of Administrative Operations</li></ul>
City Staff	<ul style="list-style-type: none"><li>• Pamela Wideman, Housing &amp; Neighborhood Services</li><li>• Shawn Heath, City Manager's Office</li><li>• Willie Ratchford, Community Relations</li><li>• Anna Schleunes, City Attorney's Office</li><li>• Jason Gardner, City Development &amp; Learning</li></ul>

## Work of the Ad Hoc Committee

- ◀ Developed work plan and timeline, including creation of subcommittees to conduct the work of the committee.
- ◀ Reviewed information on what other housing authorities and municipalities are doing around rental housing incentives and HCV program enhancements, including Moving to Work (MTW) housing authorities.
- ◀ Conducted comprehensive study of HCV program in Charlotte.

## Meetings

### **Frequency**

- ◀ The Ad Hoc Committee met virtually on a monthly basis from May – December 2021.
- ◀ Additionally, two sub-committees met monthly, in-between the larger committee meetings. Subcommittees:
  1. Data and Research Subcommittee
  2. Education and Communication Subcommittee

### **Opportunities for the Public**

- ◀ Meetings were live-streamed on the GOV Channel and the City's Facebook and YouTube pages.
- ◀ Meeting materials were made available on the Ad Hoc Committee's website: [charlottenc.gov/Mayor/Pages/Source-of-Income-Ad-Hoc-Advisory](http://charlottenc.gov/Mayor/Pages/Source-of-Income-Ad-Hoc-Advisory).

# Work Plan

The Ad Hoc Committee developed a workplan consisting of three key components.

1	<b>Data and Research</b>	<ul style="list-style-type: none"> <li>Evaluate local and national landlord incentives, other subsidy enhancements, and best practices, including INLIVIAN 2020 enhancements.</li> <li>Evaluate other data to inform recommendations and metrics.</li> </ul>
2	<b>Education and Communication</b>	<ul style="list-style-type: none"> <li>Increase property owner awareness and participation in subsidy programs.</li> <li>Explore targeted landlord outreach in opportunity areas.</li> <li>Help remove the stigma faced by voucher holders.</li> </ul>
3	<b>Metric Setting &amp; Recommendations</b>	<ul style="list-style-type: none"> <li>Create benchmark criteria to evaluate implemented program enhancements.</li> <li>Develop and finalize recommendations for City Council.</li> </ul>

Work Groups meet monthly and report back to full Ad Hoc Committee

# Work of the Ad Hoc Committee

- ◀ Received information on INLIVAN's Housing Choice Voucher program, including program enhancements and opportunity areas.
- ◀ Collaborated with City staff on interactive data mapping infrastructure to yield effective data and metric setting for expansion of rental subsidy acceptance especially in high opportunity areas.
- ◀ Received testimony from:
  - Charlotte Family Housing and Socialserve (HousingCLT), local subsidy providers
  - NestQuest Houston
  - Financial Expert with extensive background in multi-family affordable housing financing
  - Local Rental Housing Provider/Real Estate Manager experienced with placing Housing Choice Voucher renters

## Understanding The Issue



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## RENTAL SUBSIDIES

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# Charlotte Housing Subsidy Programs

- ◀ Housing Choice Voucher (INLIVIAN)
- ◀ HousingCLT (Socialserve)
- ◀ Charlotte Family Housing
- ◀ Lotus Campaign
- ◀ MeckHOME, Link Housing (Roof Above)
- ◀ A Way Home (Foundation for the Carolinas)

## The Face of Subsidized Housing



## HCV Program Common Beliefs

- ◀ Landlords are forced to reduce their rents
- ◀ HQS inspections occur many times throughout the year
- ◀ First payment is often delayed
- ◀ Longer eviction process than with nonsubsidized renters
- ◀ Greater chance of wear & tear on the property
- ◀ Renters with HCVs come with problems
- ◀ Banks and other financial institutions including insurance companies view the HCV program unfavorably

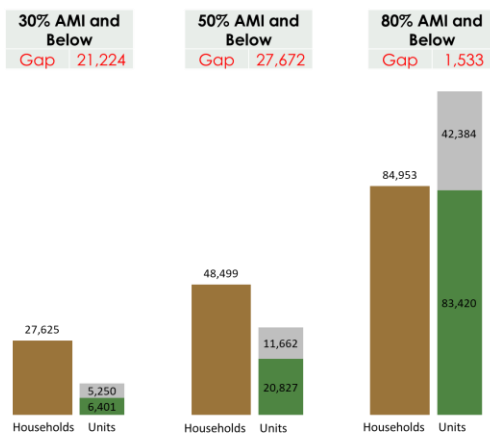
## HCV Program Reality

- ◀ Landlords are not required to conform to federal rent standards
- ◀ Inspections occur at the beginning of the tenancy and at least annually thereafter\*
- ◀ Direct deposit increases timeliness of rent payment (PHA portion)
- ◀ Eviction times dependent on jurisdiction's court system
- ◀ Most renters work hard to comply with tenancy requirements to retain their HCV
- ◀ Lenders view HCVs no differently than other sources of rental revenue; there are no higher/additional insurance premiums for properties that accept HCVs

# CHARLOTTE'S RENTAL HOUSING LANDSCAPE

## Affordable Housing Gap

As of 2019, there was a need for approximately **27,600** housing units affordable to households at <50% AMI.



The **housing gap** is calculated as the difference in the **number of households** and the **number of affordable and available rental units** at each level of AMI.

The gap in affordable rental housing is partly a function of rental mismatch – that is, households that are renting down in AMI level, either by necessity or by choice. In 2019, rental mismatch contributed to a gap at all levels of AMI, even at <80% AMI where there were more units (supply) than households (demand).

- # of Renter Households
- # of Rental Units, with households renting down
- # of Rental Units, Affordable and Available

Source: U.S. Census, American Community Survey, Public Use Microdata Sample, 1-Year Estimates, 2019. Accessed from <https://www.census.gov/programs-surveys/acs/data/pums.html>



## Rental Market Overview

- Rental housing development has not kept pace with the demand for units that would be affordable to low- to moderate-income families.
- The high cost of development has resulted in more high-end apartments and townhomes coming to the market.
- Charlotte vacancy rates are historically low, in the wake of the moratorium lease holdovers.
- Most of the rental homes being produced are not right-sized for the typical HCV family.

Conventional Properties	Jan 2022	Annual Change
Occupancy	95.6	+0.8%
Unit Change	0	
Units Absorbed (Annual)	1,281	
Average Size (SF)	941	+0.2%
Asking Rent	\$1,417	+17.2%
Asking Rent per SF	\$1.50	+16.9%
Effective Rent	\$1,414	+18.2%
Effective Rent per SF	\$1.50	+17.8%
% Offering Concessions	3%	-74.3%
Avg. Concession Package	4.6%	-33.3%

Source: ALN Apartment Data, Charlotte Market Report, 2022

## Pandemic Impact on Rents

- ◀ The hourly rate needed for a two-bedroom rental home in Mecklenburg County increased from \$20.44/hour in 2020 to \$23.98/hour in 2021
- ◀ Between 2020 and 2021, the fair market rent for a two-bedroom rental home increased by \$88.

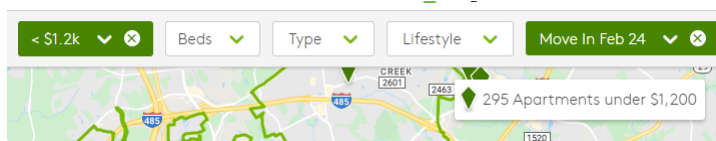
**116 hours/week**  
**16.6 hours/day**

16.6 hours of work a day in at minimum wage needed to afford a 1-bedroom unit at FMR, or 116 hours per week.

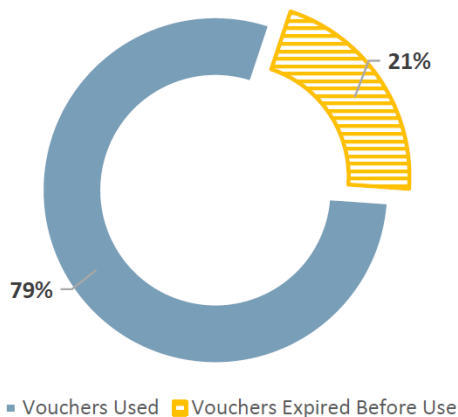
## Housing Search Today

◀ Little of Charlotte's rental housing is accessible to households with rental subsidies

14 properties In Charlotte, Rent range \$0 to \$1,200 a month, Accepting Section 8 Vouchers, Hide Wait Listed Properties



## HCV Housing Search Success Rate

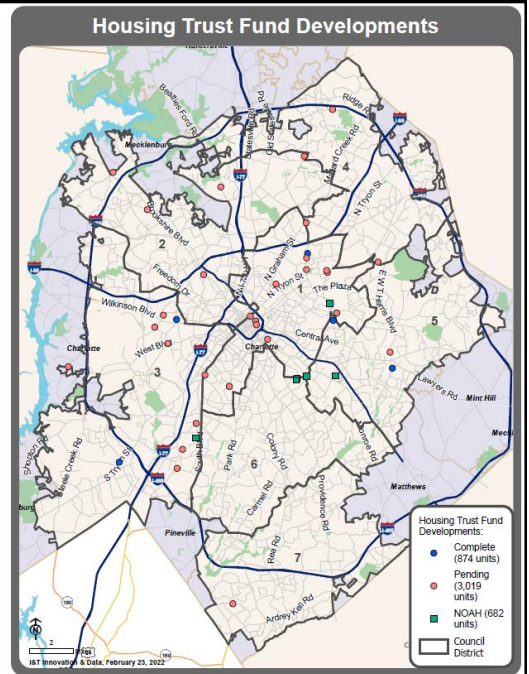


From 2017 to 2019,  
**204 households** were  
granted a voucher but were  
unsuccessful in utilizing it.

The average time frame of  
successful searches during  
this period was approximately  
**73 days.**

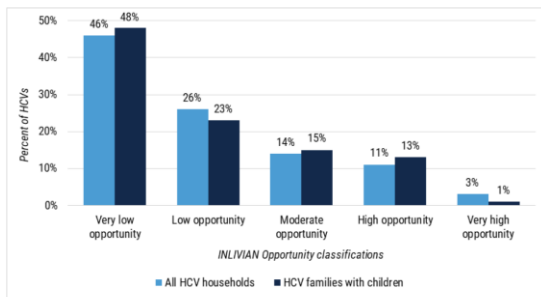
# Multi-Family Affordable Housing Production 2018 and 2020 Bonds

- ◀ Since the increase of the bonds for the Housing Trust Fund in 2018, City and its partners have accelerated the preservation and development of affordable housing
- ◀ Currently over 3,000 affordable housing units in the pipeline



## HCV & SUBSIDY PROGRAM CHALLENGES

## HCVs by Opportunity Classification



Data Source: INLIVIAN HCV tenant-based voucher data and opportunity neighborhood designations.

◀ **Most voucher holders live in very low and low opportunity neighborhoods.**

- Opportunity designation determined at Census tract level by poverty rates, job proximity index, crime rate, transit type, and neighborhood elementary school performance scores.

◀ **The majority of current HCV households live in census tracts that lack features that promote economic mobility.**

## Rental Provider Feedback on HCV Program

- ◀ **Rent increases too low to keep up with rental property expenses**
- ◀ **Inspections – Too frequent, stringent and delays in scheduling; time unit must be off-market pending inspections**
- ◀ **Cost of tenant damages and inability to recoup costs for repairs; lack of tenant and HCV program accountability**
- ◀ **Lack of HCV staff responsiveness**
- ◀ **Delays in initial rent payment**
- ◀ **Complicated process**
- ◀ **Prior bad experiences with HCV program**
- ◀ **Other rental assistance groups/subsidies are easier to work with compared to the HCV program**

# Insights from Other Subsidy Programs/Rental Housing Providers

## ◀Charlotte Family Housing

- **Success attributed to supportive services**
  - *Clinical Social Workers focus on making sure families have the financial skills, confidence to achieve their long-term goals, and successful graduation from program*
  - *Housing Coordinator to get families into housing; works with family during tenancy to serve as advocate and intermediary with landlord to make sure both family and landlord needs are met*
- Proactively searches for units to meet the needs of their clients, pre-qualifies applicants with properties, and develops long-term relationships with housing providers
- 95% of households exit program into unsubsidized housing, including approximately 15% moving on to home ownership

# Insights from Other Subsidy Programs/Rental Housing Providers

## ◀HousingCLT (Socialserve)

- Landlord Relationship Management connects tenants and landlords, helping each be successful in the relationship (landlord consortium)
- Finds housing providers, shepherds households through application process, pays upfront costs/arrears as well as ongoing monthly rental subsidy and utility assistance
- **Ongoing supportive services is key** - Partners with agencies like Supportive Housing Services, United Way, Roof Above, to provide case management services to serve clients with complex barriers (multiple evictions, etc.)
- Provides **one point of contact for landlords** as well as other incentives

# Insights from Other Subsidy Programs/Rental Housing Providers

## ◀ NestQuest Houston

- Acts as landlord by subleasing unit to tenant; acts as leaseholder for property
  - *Allows them to give availability to voucher holder without the property accepting vouchers*
- Simplifies the search process for HCV families with children
  - *Households do not have to mention voucher during housing search, and do not have to have credit background performed by landlord*
- Performs quarterly inspections of occupied units to ensure units will pass any housing authority inspections
- **Case-management assistance is critical:** financial budgeting & planning, resource matching, goal setting & pathways to achievement, etc.
- Works hand in hand with Houston Housing Authority to ensure a quick and easy lease up process

# Insights from Real Estate Management Professional

## ◀ CAROD Properties

- Views HCV administrative challenges (inspections, lease-up, timeliness of payment) no differently than those of market rate tenants
- Views HCVs as guaranteed income - proven to be particularly important in pandemic environment
- Plays a significant role in educating their landlord-clients (clients) about HCV program to gain landlord participation in HCV program
- Handles all inter-face with INLIVIAN on behalf of their clients
- Have been over 99% successful in convincing clients to accept HCVs and they have not had any clients leave the program; administratively they place limits on the number of HCV units in their portfolio
- INLIVIAN enhancements have helped make HCV program more attractive

# Insights from Multi-Family Residential Financial Expert

## ◀ Berkadia

- Tenant-based vouchers generally don't have an impact on how financing is viewed and underwritten even considering market dynamics
- Project-based vouchers are viewed favorably, and proven to be very durable cash flow
- Compelling empirical data that HCV tenants perform better rent collection rates than market-rate tenants
- Overall voucher durability of cash flow is valuable
- Acknowledged process challenges; recommended process be as user-friendly as possible to increase voucher acceptance

## EXISTING PROVIDER INCENTIVES

## INLIVIAN

- ◀ Increased program rents in high and very high opportunity areas
- ◀ Up to \$1,000 risk/damage mitigation
- ◀ \$250 signing bonus
- ◀ Annual rent increase of at least 2%
- ◀ Continuity assistance (funds between lease-ups to offset time unit may be vacant)
- ◀ Inspections every 2-years instead of annually
- ◀ Decreased number of inspection days for lease-up inspection
- ◀ Landlord self-certification on initial inspection for non-health and safety issues
- ◀ Housing provider outreach position, first-time housing provider concierge service, and lunch-and-learn series for current and prospective housing providers

## HousingCLT

- ◀ One point of contact for landlords
- ◀ Up to 2 months rent signing bonuses. This is sometimes used to incent the landlord to lower the per month rent under fair market rent (FMR).
- ◀ Holding fees to incent landlord to hold the unit so application can be completed, and an inspection can be conducted
- ◀ Risk mitigation fund to cover excessive damages/ eviction costs
- ◀ Pay existing rent / eviction/ utility arrears to help tenant become 'rent ready'
- ◀ Hire private inspectors to conduct quicker inspections
- ◀ Pay for repairs to meet HUD's Housing Quality Standards (HQS); have purchased appliances for units that do not come with them to meet HQS
- ◀ Stability bonuses if landlords renew a lease for client household



## Lotus Campaign

- ◀ Signing bonus to landlords
- ◀ Payment for the cost of application fees
- ◀ Guarantee against loss of rent and damages
- ◀ Support services for renters
- ◀ Assistance for landlord if an eviction is necessary



## Recommendations

# Source of Income Ad Hoc Committee Recommendations

1. Source of Income Protections in City/County Supported Housing Developments
2. Increased “Housing Navigator” Capacity
3. Property Tax Incentives for New For-Rent Multi-Family Housing Developments

## Recommendation #1

### Source of Income Protections in City/County Supported Housing Developments

◀ **The City and County should include source of income protections for any for-rent residential housing developments receiving public financial support of any kind.**

- Includes both affordable and market-rate housing developments receiving Tax Increment Grants and other types of financial support.

◀ **Goal:**

Create a new policy requiring mandatory acceptance of HCVs and other forms of rental subsidies and legal sources of income in all City and County supported housing.

## Recommendation #2

### Increased “Housing Navigator” Capacity

- ◀ **The City of Charlotte, Mecklenburg County, private and philanthropic sectors should provide new or expanded funding to increase capacity of existing local organization(s) to create greater rental housing provider participation in the Housing Choice Voucher (HCV) and other rental subsidy programs in areas of moderate to high opportunity.**
- ◀ While the ad hoc committee believes that the City of Charlotte and Mecklenburg County should participate in providing this funding, the committee also acknowledges that the private and philanthropic sectors can also play a role, recognizing that providing housing and economic mobility opportunities is a social responsibility.

## Recommendation #2

### Increased “Housing Navigator” Capacity

- ◀ **With increased capacity, the organization(s) will:**
  - Recruit new landlords in moderate to high opportunity areas to accept vouchers and other rental subsidies.
  - Act as landlord for resident, and leaseholder for property through master leases and working in close coordination with INLIVIAN and other rental subsidy providers.
  - Serve as the first point of contact for housing providers/property managers if any issues arise during a voucher/rental subsidy holder’s occupancy.
  - Create or increase incentives and remove barriers for housing providers, such as:
    - *Facilitating required inspection of units*
    - *Covering rent during the inspection phase*
    - *Providing higher security deposits, risk mitigation funds, or related incentives*

## Recommendation #2

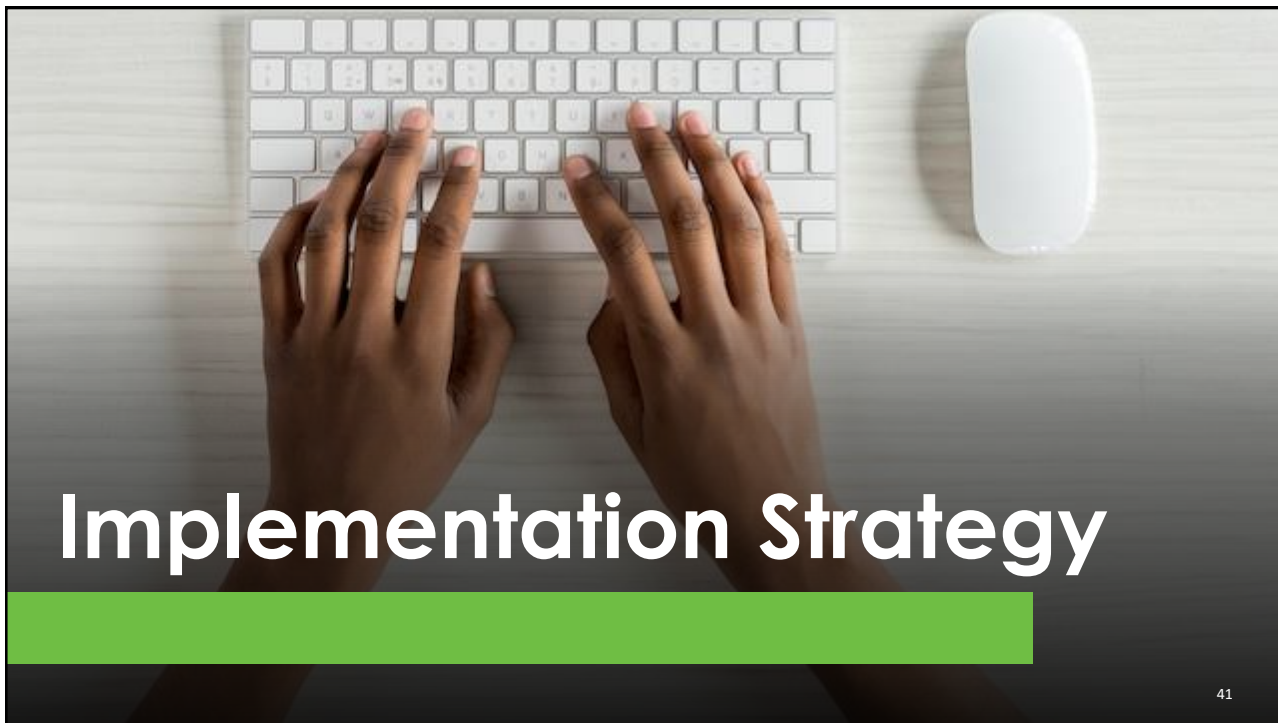
### Increased “Housing Navigator” Capacity

- ◀ Funding should go towards personnel costs for housing navigators as well as towards investments in tools like supplemental rent payments (when market rent exceeds voucher payment standards), supplemental security deposits, risk mitigation funds, interim lease payments, and/or other incentives.
- ◀ **Goal: Add 75 Housing Choice Voucher or other rental subsidy recipients in moderate to high opportunity areas in the first two years after funding is awarded.**

## Recommendation #3

### Property Tax Incentives for New For-Rent Multi-Family Housing Developments

- ◀ **The City of Charlotte or Mecklenburg County should offer property tax reimbursements for new rental housing developments in high-opportunity areas that set aside at least 5% of their units for 30% AMI and below households with a voucher or rental subsidy.**
  - The commitment and corresponding property tax reimbursement should last for a minimum of 15 years. The property tax reimbursement should total 25% of the project’s annual property taxes paid to the City of Charlotte or Mecklenburg County.
  - Housing providers would receive property tax reimbursements only once all set-aside units are occupied by eligible households.
  - The agreement between the City or the County and housing provider should be developed in such a way as to remove barriers that would inhibit housing providers from participating.
- ◀ **Goal: Execute agreements for at least 40 units in high-opportunity areas in the first two years after the policy is enacted.**



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## Recommendation #1

### Source of Income Protections in City/County Supported Housing Developments

- ◀ Bring forward policy to City Council to include source of income protections in all City supported housing developments.
- ◀ Advocate for the Board of County Commissioners to enact an analogous policy for all County supported housing developments.

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## Recommendation #2

### Increased “Housing Navigator” Capacity

#### Phase I

- ◀ Issue RFP to existing housing support organizations.
- ◀ Evaluate proposals based on ability to fulfill goal of increasing voucher and rental subsidy recipient households in moderate to high income areas.
- ◀ Assess operating budget of selected proposal(s) to determine funding needs.
- ◀ Partner with Mecklenburg County and philanthropic sector to raise and award funding.

## Recommendation #2

### Increased “Housing Navigator” Capacity

#### Phase II

- ◀ Establish reporting requirements and protocols to monitor operations of both housing navigators as well as rental subsidy providers.
- ◀ Set metrics to assess operational effectiveness of rental subsidy providers in streamlining inspections, payments and other components of the housing process.
- ◀ Work with landlords who participate through this initiative to collect input for pilot evaluation and highlight successes for further recruitment.
- ◀ Initiate education and communications plan in conjunction with housing navigator organization(s) to dispel myths and reduce stigma surrounding the Housing Choice Voucher program and other rental subsidy sources.
- ◀ Facilitate evaluation of outcomes for housing navigator services and the households supported by them to inform future investments and scale what works.

## Recommendation #3

### Property Tax Incentives for New For-Rent Multi-Family Housing Developments

- ◀ If legal obstacles prohibit City from creating the property tax incentive program (as recommended), explore feasibility with Mecklenburg County.
- ◀ Support the County in enacting this policy if feasible.
- ◀ Consider alternative structures able to be enacted by the City that promote the ability of < 30% AMI households to obtain housing in moderate to high opportunity areas.